

Transportation: A Dynamic Model for the Future

2008 Special Session II

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SB 6010 (Colgan)

Overarching Objectives

- Recapture gas tax purchasing power that has been lost to inflation since 1986.
- Fairly “price” the use of Virginia’s roads.
 - Out-of-state travelers
 - Commercial activities
 - Virginia drivers
 - Mitigate the impact of gas tax adjustment on Virginia drivers by **simultaneously removing the sales tax on food from the ½ percent TTF sales tax.**
- Encourage efficient movement of people.
 - Tolling: congestion pricing and HOT lanes
 - Mass transit
 - Reduce drive-alone commute trips

Recapture lost purchasing power

- **Stop the bleeding:** Since 1986, the purchasing power of the gas tax has eroded 95 percent due to inflation, thereby compromising the state's ability to build and maintain roads.
- Restore the purchasing power of gas tax to the level approved in 1986 over the next ten years through an annual recapture index applied to the 17.5 cent gas tax (effective January 2009 through June 2018).
 - Recapture index equates to about 1.6 cents added per year.
 - Simultaneously remove the sales tax on food from the ½ percent TTF sales tax, thereby reducing the impact of the gas tax adjustment on Virginia drivers (net impact of both actions in FY 2009 is estimated \$9.2 million of **tax relief**).
 - Annual food tax savings equates to about two cents of the gas tax.
 - Cap the inflation index in FY 2018 and apply it at that rate going forward.
- Indexing the 17.5 cent gas tax ensures that the tax does what it was meant to do – keep up with the cost of maintaining roads.

Fairly “price” the use of Virginia’s roads

- Out-of-state travelers should not get a “free ride” through Virginia.
 - Virginia is the 8th ranked tourism state in the nation.
 - The 20 million families that visit Virginia each year add to wear and tear on roads.
 - The most direct way for tourists to help pay for maintenance is through the gas tax.
 - It is estimated that tourists pay 11 percent of the gas tax (Va. Tourism Corporation).
- Roughly 25 percent of fuel purchases relate to commerce (much of which is diesel fuel purchased by truckers passing through the state).
 - Commercial traffic benefits from an improved transportation system through quicker movement of products to market and should help pay for improvements.
- Combined, out-of-state travelers/truckers and other commercial activities pay roughly one-third of the gas tax.
- The remaining two-thirds of the gas tax is paid by Virginians going about their daily lives.
 - The gas tax inflation adjustment paid by Virginians can be mitigated somewhat or “discounted” through **removal of the sales tax on food from the ½ percent TTF sales tax** (\$77.2 million savings to Virginians which will grow annually).

Fairly “price” the use of Virginia’s roads

- The second tax source that most closely aligns with the use of Virginia’s roads is the motor vehicle sales and use tax (titling tax).
 - At 3.0 percent, this sales tax is set below the normal sales tax rate of 5.0 percent.
 - Virginia’s transportation system can no longer afford this level of subsidy for motor vehicle sales.
- Increase Virginia’s titling tax by three-quarters of a percent to 3.75 percent.
 - The national average titling tax is 4.58 percent.
 - With the exception of North Carolina, the titling tax in neighboring states ranges from 5 to 7 percent.

Encourage Efficient Movement of People

- Tolls: Nationally, 5.0 percent of transportation revenues are from tolls.
 - Virginia's current transportation revenues include \$93.0 million from tolls, or 2.5 percent of total revenues.
 - Congestion pricing and other efficiency measures can be built into toll roads.
 - As a first step, Virginia should double its current reliance on toll revenues, moving to the national average of 5.0 percent and producing roughly \$100.0 million in additional revenue from tolls.
 - To encourage this movement, a **Toll Incentive Fund** should be established with \$50.0 million annually from new statewide revenue (FY 2011 and beyond) to provide toll matching grants for transportation districts where additional toll revenue is generated.
 - Grants could be used for other transportation improvements within the district that benefit the area residents who are paying tolls.
 - Virginia should request permission to impose tolls on certain segments of the Interstate highway system to offset a portion of Interstate maintenance costs, thereby freeing Virginia revenues for other purposes.

Encourage Efficient Movement of People

- Tolls: Longer term, tolls will be a major funding source to create new capacity in congested areas.
 - Adopt a goal that a minimum of 30 percent of new projects and improvements in Virginia's Six-Year Transportation Plan will be tolled.
 - Require the Commonwealth Transportation Board to establish criteria to advance this goal.
 - Tolls will be retained in the transportation district to improve infrastructure for the area's citizens.
- Since tolls work only where they are financially feasible and cannot be exported, they are not the solution for our current statewide maintenance deficit.

Encourage Efficient Movement of People

- Mass Transit: Rising gas prices are forcing people to look for efficient alternatives, thereby increasing the demand for mass transit.
- Provide a jump-start for purchase of mass transit capital through a \$100 million bond issue.
 - The annual allocation for mass transit **from new statewide revenue deposited to the TTF** would be increased to 25 percent to generate funds to support the bond issue and mass transit operating needs.
 - A “hold harmless” provision would protect the Mass Transit, Ports and Airport Funds from loss related to removing sales tax on food.
- Consistent with prior General Assembly action, \$50.0 million **from new NOVA regional revenue** should be allocated to match federal funds for the METRO expansion and \$25.0 million should be allocated to Virginia Railway Express.

Encourage Efficient Movement of People

- Virginia state government should lead by example through the requirement that drive-alone commute trips by state employees be reduced by at least 20 percent.
 - Car pooling/van pooling
 - Increased use of public transportation
 - Alternative work schedules
 - Telecommuting
- The Governor shall report annually to the General Assembly on strategies employed and quantifiable reductions in drive-alone commutes by state employees.
- The Department of Rail and Public Transportation shall develop a long-term commute trip reduction plan for the Commonwealth and work with major private and public sector employers to meet objectives of the plan.

Regional Transportation Needs

- Imposes state taxes in the Northern Virginia region.
 - ½ percent sales tax (excluding food and drugs)
 - 40 cent increase in grantor's tax
 - \$5/day transient occupancy tax
 - Dedicates \$50 million off-the-top for METRO match and \$25 million off-the-top for Virginia Railway Express
- Imposes state taxes in the Hampton Roads region.
 - ¾ percent sales tax (excluding food and drugs)
 - 1.0 percent retail sales tax on motor fuels
 - \$5/day transient occupancy tax
 - For 7 priority projects of Hampton Roads MPO (includes Hampton Roads Bridge Tunnel)
- Allows other urban areas in the state to address regional transportation needs
 - Imposes one percent sales tax within jurisdictions covered by Metropolitan Planning Organizations with at least 8.5 million annual vehicle miles driven within their area (effective date of July 1 in calendar year following the year that mileage trigger is met).
 - Richmond and Fredericksburg area MPO's currently meet threshold.

Summary of Key Financial Features

- Statewide component
 - Generates \$618.1 million by FY 2015 and \$841.6 million by end of 10-year inflation recapture period.
 - Works down the maintenance deficit over time, with additional maintenance funds reaching \$465 million by FY 2015.
 - Strengthens the construction fund by roughly the same amount (avoids diversion to maintenance; new dollars allocated minus food sales tax loss).
 - Mass Transit, Port and Airport Funds held harmless from loss of food sales tax (\$16.5 million in first full year).
 - Increase Mass Transit share to 25 percent of new dollars flowing into TTF in order to establish the Mass Transit Improvement Fund and jumpstart a \$100.0 million bond issue for transit capital.
 - \$50.0 million Toll Incentive Fund established to provide supplemental infrastructure matching grants in transportation districts where new projects and improvements are tolled.

Summary of Key Financial Features

- Tolling
 - Use Toll Incentive Fund to encourage movement toward national average of 5.0 percent of transportation revenues generated from tolls (would produce roughly \$100 million per year).
 - Adopt longer-term goal that a minimum of 30 percent of projects in the Six-Year Improvement Plan would be tolled.
 - Seek federal waiver to toll certain segments of the Interstate system to help pay for Interstate maintenance.

Summary of Key Financial Features

- Regional component
 - Statewide taxes approved for Northern Virginia region would generate \$381.9 million by FY 2015.
 - Funds dedicated as approved by 2007 General Assembly.
 - Statewide taxes approved for Hampton Roads region would generate \$252.2 million by FY 2015
 - Funds dedicated to 7 priority projects of Hampton Roads MPO, including Hampton Roads Bridge Tunnel
 - Allows other MPO regions with high traffic volume access to 1.0 percent state sales tax.

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Statewide Component for Transportation

	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Apply recapture index to gas tax to restore 1986 purchasing power	(Half year)						
Estimated amount to be paid by out-of-state travelers	3.7	17.5	26.3	35.1	43.8	52.6	61.3
Estimated amount to be paid by commercial activities	8.4	39.9	59.8	79.7	99.6	119.5	139.4
Estimated amount to be paid by Virginians	21.4	102.0	153.0	204.0	255.0	306.0	356.9
Less: Removal of sales tax on food for current 1/2 percent to TTF	(30.6)	(77.2)	(81.1)	(85.2)	(89.4)	(93.9)	(98.6)
Net to be paid by Virginians	(9.2)	24.8	71.8	118.8	165.6	212.1	258.3
Increase automobile titling tax by 3/4 percent	58.8	144.4	146.3	152.0	159.5	159.0	159.0
Total Net Statewide Revenue	61.7	226.5	304.2	385.5	468.5	543.2	618.1
Application of New Statewide Revenues							
Toll Incentive Match Fund			50.0	50.0	50.0	50.0	50.0
Transit/Ports/Airports Hold Harmless for food tax loss	6.5	16.5	17.3	18.1	19.0	20.0	21.0
Mass Transit Improvement Fund (25% of new TTF \$'s)**	3.2	10.8	11.9	15.1	18.3	21.3	24.2
TTF (Balance net of Mass Transit Improvement Fund)	9.7	32.3	35.8	45.3	55.0	63.8	72.6
Food tax loss	(30.6)	(77.2)	(81.1)	(85.2)	(89.4)	(93.9)	(98.6)
Maintenance (85% of new revenue after setasides)	72.9	244.2	270.3	342.1	415.5	482.0	548.8
	61.7	226.6	304.2	385.5	468.5	543.2	618.1

** Roughly \$7.5 million per year required to servie \$100.0 million in 20-year debt

Tolls

Transportation districts - double reliance on tolled projects in near term	100.0	100.0	100.0	100.0	100.0
Adopt goal that a minimum of 30 percent of projects in 6-year plan will be tolled					
Seek federal waiver to impose tolls on segments of Interstate to help offset Interstate maintenance					

Net New Highway Funds Distributed to Transportation Districts		FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Distribution based on current construction allocation		56.4	208.8	234.6	310.8	388.5	458.3	528.4
Bristol	8.2%	4.6	17.1	19.2	25.5	31.9	37.6	43.3
Culpeper	6.7%	3.8	14.0	15.7	20.8	26.0	30.7	35.4
Fredericksburg	6.8%	3.8	14.2	16.0	21.1	26.4	31.2	35.9
Hampton Roads	19.8%	11.2	41.3	46.5	61.5	76.9	90.7	104.6
Lynchburg	7.7%	4.3	16.1	18.1	23.9	29.9	35.3	40.7
Northern Virginia	18.5%	10.4	38.6	43.4	57.5	71.9	84.8	97.8
Richmond	14.3%	8.1	29.9	33.5	44.4	55.6	65.5	75.6
Salem	9.9%	5.6	20.7	23.2	30.8	38.5	45.4	52.3
Staunton	8.2%	4.6	17.1	19.2	25.5	31.9	37.6	43.3

Regional Component for Transportation

Northern Virginia

1/2 percent sales tax (excludes food and drugs)

40 cent increase in grantor's tax

\$5/day increase in transient occupancy tax

FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
69.6	175.6	184.2	192.0	200.2	207.2	217.6
53.4	116.6	114.6	114.6	114.6	116.6	116.6
17.7	43.2	44.1	45.0	45.9	46.8	47.74
140.7	335.4	342.9	351.6	360.7	370.6	381.9

Note: \$50 million/year dedicated to METRO match; \$25 million/year to VRE

Hampton Roads

3/4 percent sales tax (excludes food and drugs)

1 percent retail fuel tax

\$5/day increase in transient occupancy tax

FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
57.3	144.3	151.5	157.8	164.7	170.4	178.9
12.1	28.9	25.5	25.9	26.2	27.1	28.1
16.7	40.9	41.7	42.6	43.4	44.3	45.2
86.1	214.1	218.7	226.3	234.3	241.8	252.2

Other Regions

1 percent sales tax to be applied within jurisdictions covered by Metropolitan Planning Organizations that have at least 8.5 million vehicle miles driven within the area (effective date of July 1 in calendar year following the year that the mileage trigger is met).